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Message Text

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10
ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 SPC-03 SAM-01 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 COME-00 FRB-02 ABF-01 DRC-01 /123 W
---------- 066012
R 150939Z FEB 74
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 28
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY CANBERRA
AMCONSUL HONG KONG
AMEMBASSY LUXEMBOURG
AMEMBASSY LONON
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS TOKYO 2139

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FOREX MARKET AND RELATED DEVELOPMENTS -- FEB 12-15

SUMMARY: DOLLAR WEAKENED DURING FOUR-DAY TRADING WEEK ENDING FEB 15 IN GENERALLY QUIET SPOT MARKET. LATE IN WEEK FORWARD DOLLAR RATES ROSE PARTLY FOR TECHNICAL REASONS.

1. SPOT DOLLAR DROPPED FROM REPRESENTATIVE RATE YEN295.00 ON FEB 12 TO YEN291.00 FEB 14 BUT THEN ROSE ON FRI TO YEN292.70. NO BOJ INTERVENTION EVIDENTLY REQUIRED EVEN
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THOUGH ON FEB 13 DOLLAR TEMPORARILY DROPPED TO YEN285.00

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ON ONE TRADE BUT QUICKLY RECOVERED. WITHIN-DAY FLUCTUATIONS CONSIDERED MODERATE. SPOT VOLUME FOR WEEK WAS $220 MIL.

2. IN FORWARD MARKET DOLLAR ALSO EASED SOMEWHAT. HOWEVER, LATE IN WEEK BOJ GOV SASAKI MENTIONED TO PRESS THAT BEGINNING IN APRIL WHEN USANCE CREDITS ON OIL IMPORTS COME DUE HIGHER PRICED OIL WILL CREATE "FOREX SHORTAGE." MARKET REACTION WAS STRENGTHENING OF FORWARD DOLLAR RATE TO RATE ON FRI OF YEN306.20 FOR THREE MONTH, MAY DELIVERY, AND YEN308.75 FOR SIX MONTH, AUGUST DELIVERY. CORRESPONDING PREMIUMS WERE 18.45 PERCENT AND 10.97 PERCENT PER ANNUM. VOLUME IN FORWARD MARKET LITTLE CHANGED FROM LAST WEEK AT $398 MIL AND SMALLER SWAP VOLUME AT $185 MIL.

3. FOREX CONTROLS: EXPORT PREPAYMENT FURTHER LIBERALIZED (REPORTED TOKYO 132, A-39) TO MAKE ALL JAPANESE EXPORTS ELIGIBLE FOR PREPAYMENT. AUTOMATIC BOJ APPROVAL WILL NOW BE GIVEN FOR PREPAYMENT SIX MONTHS BEFORE SHIPMENT (THREE YEARS BEFORE SHIPMENT FOR CAPITAL EQUIPMENT) ON CONTRACTS IN EXCESS OF $100,000. UNDER JAN 7 MEASURE ONLY BANK VERIFICATION NEEDED ON PREPAYMENTS FOR LESSER AMOUNTS (UP TO ONE YEAR IN ADVANCE OF SHIPMENT FOR GENERAL GOODS AND THREE YEARS IN ADVANCE FOR CAPITAL EQUIPMENT).

4. WITHHOLDING TAX RATE REDUCTION: BEGINNING APRIL 1 THE WITHHOLDING TAX RATE WILL GO TO ZERO FOR A TWO-YEAR PEROD ON INTEREST PAYMENTS MADE TO NON-RESIDENTS WHO PURCHASE NEW ISSUES OF FOREIGN CURRENCY BONDS FLOATED ABROAD BY JAPANESE COMPANIES. THIS IS ONE OF THE PROVISIONS IN THE TAX REFORM BILL TO BE APPROVED BY PARLIAMENT. THE OBJECTIVE IS TO MAKE JAPANESE CORPORATE BONDS AS ATTRACTIVE AS OTHER FOREIGN ISSUES IN THE INTERNATIONAL BOND MARKET.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, FOREIGN EXCHANGE RATES, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO02139
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740227/aaaaazos.tel
Line Count: 98
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
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Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAR 2002
Review Event:
Review Exemptions: n/a
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Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREX MARKET AND RELATED DEVELOPMENTS -- FEB 12-15 SUMMARY: DOLLAR WEAKENED DURING FOUR-DAY TRADING WEEK
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